

Equalization Levy Q and A

Iowa Department of Education

Grimes State Office Building 400 E. 14th St.

Des Moines, Iowa 50319-0146

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State Board of Education

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State Board of Education

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1. What is an equalization levy?

It is a property tax levy authorized by Iowa Code Section 275.31 that a district may utilize following a dissolution, reorganization or merger (involuntary dissolution).

2. When may it be utilized?

There are two possible situations that justify use of the equalization levy.

<u>Situation A</u>: It may be used when assets cannot otherwise be equitably distributed among recipient districts, e.g., districts receiving buildings, cash, and/or other assets of a dissolving district.

<u>Situation B</u>: It may be used when a dissolving district's liabilities exceed its assets, and a mechanism is needed to collect revenue from the dissolved district to balance assets and liabilities.

	Situation A	Situation B
Reorganization	Unlikely	Unlikely
Dissolution	District A receives a usable	Dissolving District C has \$100,000
	building valued \$50,000. District	in assets and \$250,000 in
	B receives all cash in the amount	liabilities. Equalization Levy:
	of \$10,000. \$40,000 of	\$150,000 is distributed to District
	equalization levy is distributed to	A and B pursuant to the agreed
	District B. The levy is applied only	upon division of assets and
	to Dissolving District C.	liabilities. (\$75,000 to District A
		and to District B if it is
		determined by the joint boards
		that the division of assets is
		50/50). The levy is applied only
		to Dissolving District C.
Involuntary Merger	District A receives a usable	Dissolving District C has \$100,000
	building valued \$50,000. District	in assets and \$250,000 in
	B receives all cash in the amount	liabilities. Equalization Levy:
	of \$10,000. \$40,000 of	\$150,000 is distributed to District
	equalization levy is distributed to	A and B pursuant to the agreed
	District B. The levy is applied	upon division of assets and
	only to Dissolving District C.	liabilities. (\$75,000 to District A
		and to District B if it is
		determined by the joint boards
		that the division of assets is
		50/50). The levy is applied only
		to Dissolving District C.

3. How many years may a district have an equalization levy?

One year at a time.

4. In which year may the equalization levy be applied?

The first year the equalization levy could be applied is for the budget year following the effective date of the dissolution or the succeeding year. It should be accomplished within a reasonable time period after the dissolution.

5. Which boards may utilize the equalization levy?

As part of the joint board action on equitable distribution of liabilities and division of assets of the affected districts (those receiving territory of the dissolving district), a determination will be made if an equalization levy is necessary. If so, the levy will apply to all territory of the dissolving district. All districts receiving money shall transmit equalization levy proceeds to the district serving as the fiscal agent for the dissolved district. Transmitting proceeds within thirty days of receipt would be reasonable.

6. To what territory is the equalization levy applied?

The levy is applied to all of the territory of the dissolved district regardless of where it now is attached.

7. What fund is used to receipt the equalization levy in the levying districts?

It is a special revenue fund (number 29).

8. What if an asset, e.g., a building, cannot or will not be used as a building, has no school use, and the districts will incur costs for demolition?

For purposes of the equalization levy, the joint boards may consider such an asset to be a liability to the extent of demolition costs.

9. What if this occurs too late to be considered in the equalization levy?

<u>Situation A</u>: If not included in the equalization levy and the demolition is within three years of reorganization or dissolution, the district may request use of its unexpended General Fund balance for the demolition costs. This would be funded with a cash reserve levy rather than an equalization levy.

<u>Situation B</u>: If not included in the equalization levy and the demolition is beyond three years of the reorganization or dissolution, the asset belongs to the district and would be demolished the same as any other district facility.